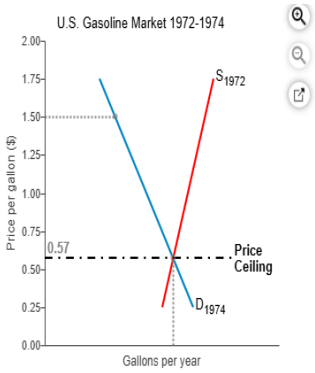
In 1973 and 1974, the Organization of the Petroleum Exporting Countries (OPEC) imposed an embargo on shipments of crude oil to the United States. What followed was a drastic reduction in the quantity of gasoline available at local gas pumps.

Congress imposed a price ceiling, or maximum price, of $0.57 per gallon of leaded regular gasoline. That price ceiling was intended to keep gasoline "affordable."

1.) *Using the line drawing tool,* depict the effect of the crude oil embargo such that the free-market price would rise to $1.50 per gallon. (Draw any shift in a line parallel to the original line.) Properly label this line.

2.) *Using the point drawing tool,* illustrate the quantity supplied at the price ceiling of $0.57 per gallon.

Carefully follow the instructions above and only draw the required objects.



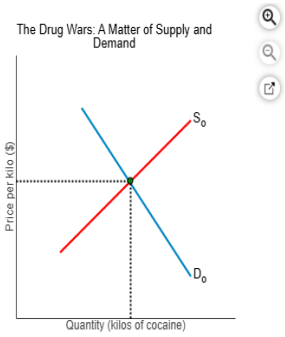
Suppose the U.S. government simultaneously legalized drugs and launched a highly successful antidrug advertising campaign.

Use the diagram to the right to demonstrate the following:

1.) *Using the line drawing tool,* draw the new supply and demand curves to illustrate the effects of these changes on the price of cocaine. Label both of your curves.

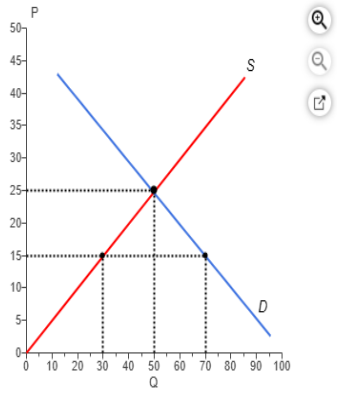
2.) *Using the point drawing tool,* locate the new equilibrium price and quantity. Label this point 'P_1'.

Carefully follow the instructions above and only draw the required objects.



Using the graph provided, which of the following are true if there is a $15 price ceiling in the market? (*Check all that apply.*)

- ☐ A. There is an excess supply of 40 units when there is a price ceiling.
- ☐ B. The quantity demanded with the price ceiling equals 70 units.
- ☐ C. Firms will charge a price of $25 when there is a price ceiling.
- ☐ D. The quantity supplied with the price ceiling equals 30 units.

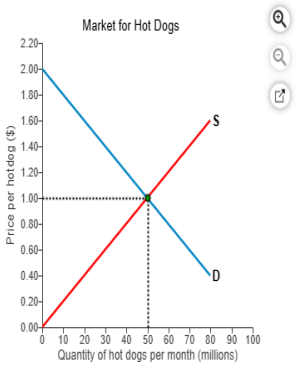


The diagram to the right depicts a local market for hot dogs. Notice that the quantity of hot dogs sold is millions of hot dogs per month.

1.) *Using the triangle drawing tool,* illustrate consumer surplus. Label this area 'CS'.

2.) *Using the triangle drawing tool,* illustrate producer surplus. Label this area 'PS'.

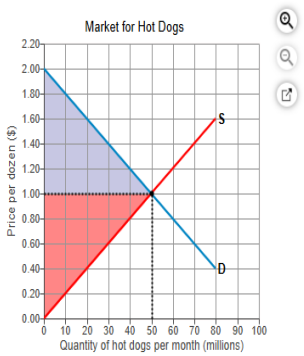
Carefully follow the instructions above and only draw the required objects.



The diagram to the right shows total surplus in a hot dog market. The blue triangle shows consumer surplus and the red triangle shows producer surplus.

Using the triangle drawing tool, illustrate the amount of deadweight loss when 30 million units are bought and sold in the market.

Carefully follow the instructions above and only draw the required object.



Using the graph provided, which of the following are true if there is a $15 price ceiling in the market? (*Check all that apply.*)

- [ ] A. The quantity demanded with the price ceiling equals 70 units.
- [ ] B. The quantity supplied with the price ceiling equals 30 units.
- [ ] C. Firms will charge a price of $25 when there is a price ceiling.
- [ ] D. There is an excess supply of 40 units when there is a price ceiling.